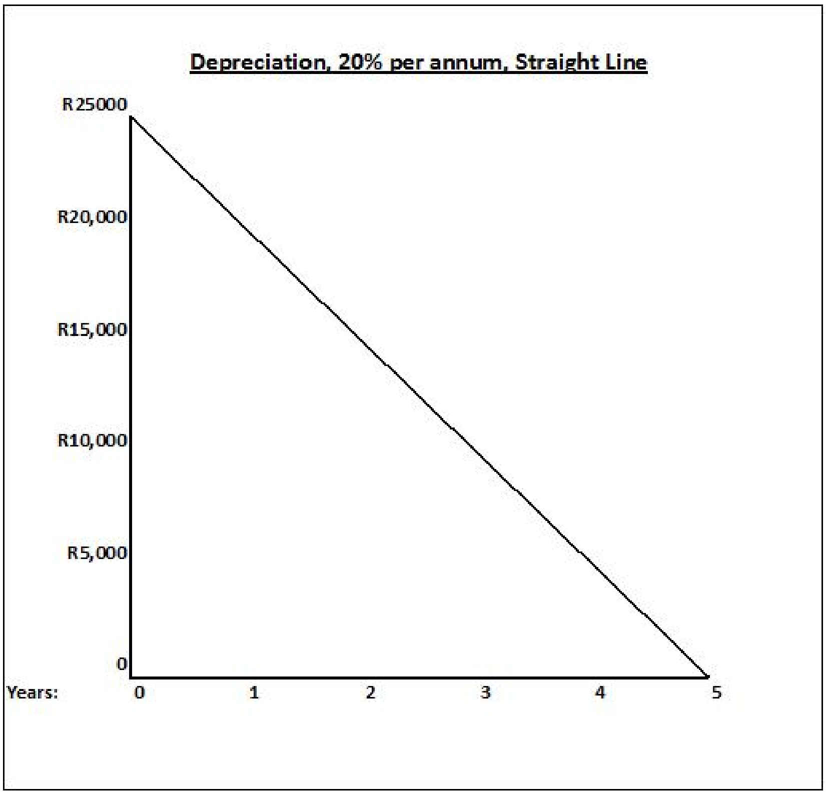

Constant and Variable Capital

This is a short chapter, easy to read, and very interesting, bearing on the reasons why fixed capital (machinery, raw materials &c.) does not yield any surplus value during production.

This is in turn the reason for the tendency of the rate of profit to be less in "capital-intensive" as opposed to "labour-intensive" industries; and why, as industries become more capital-intensive, their rate of profit tends to fall.

You can be confident that the capitalists can never do away with workers. They are compelled, unless they are to perish altogether as capitalists, to employ people.

Capitalists are compelled to continue to extract Surplus-Value from human workers because it is the only way that their Capital can be sustained. Without the constant extraction of Surplus-Value from people, Capital is bound to shrivel away to nothing.

It is useful to read this chapter together with the previous one. There, it was shown that value comes from human labour. Here, it is shown how the labour contained in the makings of a product, such as machinery and raw materials, is transferred from the original products into the new ones without being increased.

The graph, above, is a standard type of illustration in capitalist accounting theory, to show how the cost of a fixed asset, such as a piece of machinery, can be "written off" over, say, five years, for example. Such an asset is said to "depreciate". It is used up, at a constant rate, called a "straight line".

The concept of Surplus Value is the same as the concept of Value Added, which is the basis of Value Added Tax, or VAT. For VAT, the inputs are deducted and only the increase in their value gained through the application of labour to the inputs, is taxed.

These things (Value Added and Depreciation), which are commonplace in capitalist accounting, show that at the practical level, the basic facts of business life have to be recognised, even while the ideologues and theorists of capitalism deny them.

The source of increase of capital is labour (that is labour expended, minus labour power paid for, creating Surplus Value).

Machines do not, and cannot, produce Surplus Value. As businesses employ relatively more machinery and relatively less labour, so their rate of profit must fall.

Says Marx:

> *"That part of capital then, which is represented by the means of production, by the raw material, auxiliary material and the instruments of labour does not, in the process of production, undergo any quantitative alteration of value. I therefore call it the constant part of capital, or, more shortly,* **constant capital***.*
>
> *"On the other hand, that part of capital, represented by labour-power, does, in the process of production, undergo an alteration of value. It both reproduces the equivalent of its own value, and also produces an excess, a surplus-value, which may itself vary, may be more or less according to circumstances. This part of capital is continually being transformed from a constant into a variable magnitude. I therefore call it the variable part of capital, or, shortly,* **variable capital***."*

- **The above is to introduce the original reading-texts: Capital V1, Chapter 8, Constant and Variable Capital.**

- **To download any of the CU courses in PDF files please click here**.